

TESTIMONY OF
UIL HOLDINGS CORPORATION
Before the Energy and Technology Committee

On
SB 450 AN ACT CONCERNING ENERGY CONSERVATION AND
RENEWABLE ENERGY.

Legislative Office Building
March 20, 2012

Good afternoon, Senator Fonfara, Representative Nardello and members of the **Energy and Technology Committee**. My name is Bob Alessio and I am the President of the Southern Connecticut Gas Company and Connecticut Natural Gas Corporation (SCG/CNG). We are here today to offer our appreciation and support for the Committee's time and attention to the expansion of natural gas service issues in the State of Connecticut and to share our ideas about the role that we can play and the assistance that we and our customers may need to advance the development of more natural gas investment and infrastructure in the State of Connecticut.

There is much discussion of late concerning capitalism, government regulation and consumer benefits. As a regulated utility, our business is a case study in the interplay of regulation and service. Consider this: we want to sell gas; consumers could save thousands if natural gas service is available to them; the environment is better served by burning natural gas in lieu of heating oil; and availability of natural gas service is an inducement to the relocation of commercial enterprises. Working together, I believe we have a unique opportunity in the area of service area expansion to make the system work much better for all.

Every day our companies receive calls from families and businesses within our service territories asking to “hook up” to gas service. There has been a dramatic increase in these calls, and we know that the primary driver is price. The present and projected price of natural gas is at a deep discount to other energy sources. We also know that people appreciate natural gas as the “clean” fuel, and that many are interested in relying on a domestically produced American energy source and reducing our country’s reliance on Middle Eastern oil.

For many of the callers we can immediately begin a process of conversion to natural gas. But for other businesses, families and towns, there are problems where we may need your help. Simply stated, where reaching out to new growth areas and new customers, the costs of construction and conversion can be high, the process of conversion can be longer than expected and the existing rate structure was not set up to encourage or even support some of the expansion activities which Connecticut residents seek today from our companies.

The expansion of gas service will be in two categories: expansion along existing mains, and extension of the distribution system to new contiguous areas. We accept the premise of your Bill; that additional gas service advances state policies of reducing energy costs, promoting development, and mitigating environmental impacts associated with other sources of energy. To accomplish the goals of SB 450 we ask your consideration of the following ideas which may make it feasible for our companies to make significant investments in the system to bring the benefits of Natural Gas to many more citizens of Connecticut:

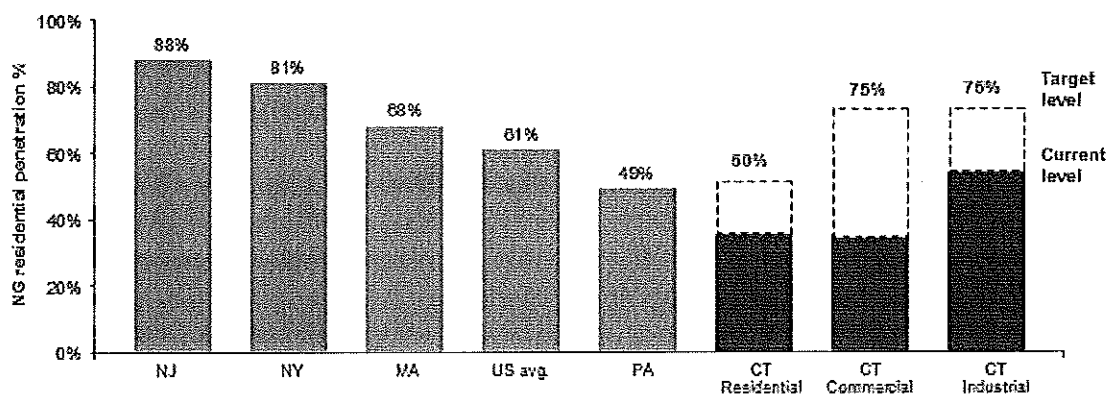
- Consider a new **Customer Expansion Rate** – to be administered at PURA under which new gas lines could be constructed to new customers who would enjoy the benefits of natural gas, and be charged a premium rate for a fixed period of time to help amortize the costs of the system. The rate would be set so as to insure that there is still strong economic incentive to convert.
- Consider a similar new rate **for investment in existing lines** to enable adding customers where older and undersized facilities cannot support additional customers.
- Support **revision of existing Regulatory accounting practices** to insure that PURA approved expansions and improvements to the gas distribution system during the Customer expansion program can be fairly recognized as a regulatory asset on an orderly schedule.
- Enable a new **customer rate or loan program** which could assist customers with conversion and connection fees by amortizing these costs over a number of years with payments through their monthly bill. .

As we meet here in these times of economic uncertainty, this is a good bill which can help mitigate high energy costs, enhance environmental quality, and support growth.

You should know:

- Connecticut is at a significant disadvantage to our peer states as to the ability of customers to hook up to natural gas as an energy source. A significant contributor to this is the rural nature of our states and the fact that people live and work in areas remote from existing gas service lines. The following table demonstrates this fact clearly.

Natural gas residential penetration CT vs. other states



Sources: EIA, Energy Information Administration State Energy Data System (SEDS), Northeast Gas Association

When reviewing the prospects for natural gas expansions in the state of Connecticut, we quickly identified areas in over 50 towns where your legislative initiative under this Bill could induce significant investment which could assist growth and provide dramatic new energy choices for Connecticut families and businesses. Finally, all of our investment in plant is local, all the jobs we create in construction are local, and all of our customers are in Connecticut.

Thank you for your attention to this critical issue. We look forward to partnering with you to make this great new energy investment in Connecticut.

Aside from these comments and Mr. Prete's remarks regarding Senate Bill 450, below are some additional written comments the committee may wish to consider in its deliberations on the bill. (Appendix 1)

Thank you. I will be happy to answer any questions that you may have.

APPENDIX 1
ADDITIONAL COMMENTS
SB 450 AN ACT CONCERNING ENERGY CONSERVATION AND
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- Section 14 (c) of proposed SB 450 mandates that 25% of the Class I renewable portfolio requirement be secured from “micro-grids”, beginning January 2012. This would result in customers paying twice for complying with the RPS standards. UI has already fully procured standard service power for 2012 and has procured 40% for 2013. Also, the Company is unaware that any such qualifying micro-grids exist today that would meet the requirement. We recommend a January 1, 2014 implementation date.
- Section 14 (b), and Sections 18 & 19 extend the REC banking period. This concept needs to be made consistent with the existing language in Section 14 (f) (2) which still contemplates a one year banking period.
- Section 16 is unclear in both its intent and operation. More clarity is needed to ensure that the section accomplishes its intended purpose and so that potential concerns can be addressed or alleviated (such as concerns regarding redundancy of facilities, utility franchise rights and costs incurred by electric distribution companies or stranded as a result of the legislation). The Company has interpreted Section 16 as a means to clarify that activities required to implement the establishment of micro grids will not transform the micro grid into an electric distribution company. The Company can provide enabling language to the Committee to clarify this intent. If the intent is other than described above, we look forward to working with the Committee to achieve consensus language without having a potential and unintended negative impact on the electric distribution companies and the customers that do not receive direct benefit from distributed generation and micro grids.